

Statement on the Tax Free Tips Act

September 26, 2007

Madame Speaker, I rise to help millions of working Americans by introducing the Tax Free Tips Act. As the title suggests, this legislation makes tips exempt from federal income and payroll taxes. Tips often compose a substantial portion of the earnings of waiters, waitresses, and other service-sector employees. However, unlike regular wages, a service-sector employee usually has no guarantee of, or legal right to, a tip. Instead, the amount of a tip usually depends on how well an employee satisfies a client. Since the amount of taxes one pays increases along with the size of tip, taxing tips punishes workers for doing a superior job!

Many service-sector employers are young people trying to make money to pay for their education, or single parents struggling to provide for their children. Oftentimes, these workers work two jobs in hopes of making a better life for themselves and their families. The Tax Free Tips Act gives these hard-working Americans an immediate pay raise. People may use this pay raise to devote more resources to their children's, or their own, education, or to save for a home, retirement, or to start their own businesses.

Helping Americans improve themselves by reducing their taxes will make our country stronger. I, therefore, hope all my colleges will join me in cosponsoring the Tax Free Tips Act.